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ANCHORSTONE

Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 12 April 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 62,351,914 Subscription Shares at the Subscription Price on the terms and subject to the conditions set out in the Subscription Agreement.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price and the recent trading volume of the Shares and the prospects of the Group. The Subscription Price of HK\$5,000,000 is calculated based on the subscription price of HK\$0.08019 per Subscription Share, which represents: (i) a discount of approximately 13.77% to the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) a discount of approximately 19.00% to the average closing price of HK\$0.099 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

The Subscription Shares represent (i) approximately 4.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after Completion.

The gross proceeds from the Subscription will be approximately HK\$5,000,000 and the net proceeds from the Subscription will be approximately HK\$4,800,000. The Company intends to apply the net proceeds from the Subscription for repayment of borrowings and/or for general working capital of the Group.

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to an ordinary resolution of the Shareholders passed on 28 June 2022, whereby the Directors have been duly authorised to allot and issue new Shares not exceeding 20% of the total number of Shares in issue as at 28 June 2022. As such, the allotment and issue of the Subscription Shares is not subject to additional Shareholders' approval.

Application will be made to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

Completion is subject to the fulfilment of Conditions Precedent and the Subscription may or may not proceed to Completion, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES

On 12 April 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 62,351,914 Subscription Shares at the Subscription Price on the terms and subject to the conditions set out in the Subscription Agreement.

Principal terms of the Subscription Agreement are summarised below:

Date: 12 April 2023

Parties: (i) the Company; and
(ii) the Subscriber.

The Subscriber is an individual investor. He is a former independent non-executive Director from 11 June 2018 to 30 June 2021.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party as at the date of this announcement.

Subscription Shares

Subject to the fulfilment of the Conditions Precedent and the terms and conditions set out in the Subscription Agreement, the Company has agreed to allot and issue to the Subscriber and the Subscriber has agreed to subscribe for 62,351,914 Subscription Shares at the Subscription Price. The Subscription Shares represent (i) approximately 4.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after Completion. The aggregate nominal value of the Subscription Shares will be HK\$623,519.14.

The Subscription Shares are not subject to any lock-up or other disposal restriction under the terms of the Subscription Agreement.

The Subscription Shares, when issued and fully paid up, shall rank *pari passu* among themselves and with all of the Shares in issue as at the Completion Date.

Subscription Price

The Subscription Price of HK\$5,000,000 is calculated based on the subscription price of HK\$0.08019 per Subscription Share, which represents: (i) a discount of approximately 13.77% to the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) a discount of approximately 19.00% to the average closing price of HK\$0.099 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and the prospects of the Group and was negotiated on arm's length basis between the Company and the Subscriber.

The Company and the Subscriber shall bear all its/his own costs and expenses incurred in connection with the preparation, negotiation and completion of the Subscription Agreement. Stamp duty and all other fees and duties (if any) relating to the allotment and issue of the Subscription Shares shall be borne by the Company.

The gross proceeds from the Subscription will be approximately HK\$5,000,000 and the net proceeds from the Subscription will be approximately HK\$4,800,000. The net price for the Subscription is approximately HK\$0.077 per Subscription Share.

Conditions Precedent

Completion shall be subject to the fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) listing of and permission to deal in the Subscription Shares;
- (b) the Company shall have complied with all the requirements under the Listing Rules in connection with the Subscription and the approval of the board of directors of the Company for the Subscription shall have been obtained; and
- (c) any other necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies or such other third parties as may be required by applicable laws, rules or regulations for the Subscription shall have been obtained.

If any of the above Conditions Precedent is not fulfilled on or before 30 April 2023 or such other date as the Company and the Subscriber may mutually agree in writing, the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations and liabilities thereunder, save for the liabilities for any antecedent breaches thereof.

Completion

Subject to the fulfilment of the Conditions Precedent, Completion shall take place on the Completion Date, at such place and at such time as Company and the Subscriber may agree.

Upon Completion, the Subscriber will become the beneficial owner of 62,351,914 Subscription Shares, representing approximately 4.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Upon Completion, the Subscriber will not become a substantial shareholder of the Company.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to an ordinary resolution of the Shareholders passed on 28 June 2022, whereby the Directors have been duly authorised to allot and issue new Shares not exceeding 20% of the total number of Shares in issue as at 28 June 2022.

As at the date of this announcement, the Company has not allotted or issued any Shares pursuant to the General Mandate and the number of new Shares that could be allotted and issued by the Company under the General Mandate is 249,440,000 Shares. The allotment and issue of 62,351,914 Subscription Shares will utilise approximately 25.00% of the General Mandate. As such, the allotment and issue of the Subscription Shares is not subject to additional Shareholders' approval.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the stone sales and supply and installation of marble products in Hong Kong and Macau.

Gross proceeds from the Subscription will be approximately HK\$5,000,000. The net proceeds from the Subscription, after deducting the expenses payable by the Company, is expected to be approximately HK\$4,800,000. It is expected that the net proceeds from the Subscription will be used by the Company for repayment of borrowings and/or for general working capital of the Group.

The Board considers that the Subscription offers a good opportunity to raise further capital and broaden the shareholders base of the Company, thereby increasing the liquidity of the Shares as well as to strengthen the financial position of the Group. Furthermore, the Board considers that the Subscription is a preferred method of fund raising as compared with other equity fund raising exercises based on the time and costs involved.

The Board considers that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and the Subscription is in the interests of the Company and its Shareholders as a whole.

POSSIBLE ADJUSTMENT IN RELATION TO THE CONVERTIBLE NOTES

As at the date of this announcement, the Company has outstanding Convertible Notes in the principal amount of HK\$5,500,000 which may be converted into a maximum number of 88,776,163 Shares at the conversion price being 90% of the average closing price per Share on any five consecutive Business Days as selected by the holder of the Convertible Notes during the 45 Business Days immediately preceding the relevant conversion date on which Shares were traded on the Stock Exchange. The conversion downside price of the Convertible Notes is 65% of the average of the daily traded volume weighted average price per Share for the 45 consecutive Business Days prior to relevant closing date in respect of each first sub-tranche of the respective tranches of the Convertible Notes.

The Company will review whether the allotment and issue of the Subscription Shares will cause adjustment to the conversion downside price of the Convertible Notes and compute the basis of such adjustment (if any) as soon as possible. Further announcement(s) will be made by the Company in respect of such adjustment (if any) as and when appropriate.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to Completion, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after Completion.

Name of Shareholders	As at the date of this announcement		Immediately after Completion	
	Number of Shares	Approx. %	Number of Shares	Approx. %
PMG Investments Limited	792,305,000	58.33	792,305,000	55.77
Mr. Lui Yue Yun Gary	560,000	0.04	560,000	0.04
The Subscriber	—	—	62,351,914	4.39
Other Shareholders	<u>565,558,837</u>	<u>41.63</u>	<u>565,558,837</u>	<u>39.81</u>
Total (Note)	<u>1,358,423,837</u>	<u>100.00</u>	<u>1,420,775,751</u>	<u>100.00</u>

Note: Percentage figures may not add up to the total due to rounding.

FUND RAISING DURING THE PAST TWELVE MONTHS

Set out below is the summary of the equity fund raising activity of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
18 August 2022	Issue of Convertible Notes in an aggregate principal amount of HK\$20 million	HK\$18.50 million	50% for partial repayment of borrowings and 50% for general working capital of the Group for existing operations	Same as the intended use
20 January 2023	Issue of Convertible Notes in an aggregate principal amount of HK\$2.5 million	HK\$2.25 million	50% for partial repayment of borrowings and 50% for general working capital of the Group for existing operations	Same as the intended use

Completion is subject to the fulfilment of Conditions Precedent and the Subscription may or may not proceed to Completion, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Board”	the board of Directors
“Business Day(s)”	any day(s) on which banks in Hong Kong are generally open for business (other than a Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is in effect or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Company”	Anchorstone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the Subscription Agreement

“Completion Date”	a day falling within ten Business Days following the date on which the Conditions Precedent are fulfilled or such other date as the Company and the Subscriber may mutually agree in writing
“Condition(s) Precedent”	condition(s) precedent to Completion as set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the 2.0% redeemable convertible notes convertible into Shares with an aggregate nominal value of up to HK\$200 million comprising two equal tranches of a nominal value of HK\$100 million each, details of which are set out in the circular of the Company dated 8 July 2022
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Shareholders passed on 28 June 2022 to allot, issue and deal with up to 249,440,000 Shares, representing 20% of the total number of Shares in issue as at 28 June 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Choi Hok Ya (蔡學銳)

“Subscription”	the subscription of the Subscription Shares at the Subscription Price by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 April 2023 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the subscription price of HK\$5,000,000 payable by the Subscriber to the Company for the Subscription based on the subscription price of HK\$0.08019 per Subscription Share
“Subscription Share(s)”	62,351,914 new Share(s) to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

By Order of the Board
Anchorstone Holdings Limited
Fung Wai Hang
Executive Director and Company Secretary

Hong Kong, 12 April 2023

As at the date of this announcement, the executive Directors are Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang; the non-executive Director is Ms. Lui Natalie Po Wai; and the independent non-executive Directors are Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel and Mr. Nie Kin Kwok Kevin.